GOVERNMENT OF INDIA
COMMUNICATIONS
LOK SABHA

STARRED QUESTION NO:318
ANSWERED ON:11.12.2000
FOREIGN DIRECT INVESTMENT
NARESH KUMAR PUGLIA;SHYAMA SINGH

Will the Minister of COMMUNICATIONS be pleased to state:

(a) whether the Union Government have been considering a proposal to lift the 40 percent ceiling of Foreign Direct Investment in telecom services;

(b) if so, the reasons and justification thereof;

(c) whether a committee set up to suggest proposals of lifting the 40 percent equity investment has since submitted its recommendations to the Government;

(d) if so, the details thereof; and

(e) the reaction of the Government thereto?

Answer

THE MINISTER OF COMMUNICATIONS(SHRI RAM VILAS PASWAN)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT IN RESPECT OF PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO.318 FOR 11TH DECEMBER, 2000 REGARDING FOREIGN DIRECT INVESTMENT.

As per the guidelines of the Government, 100% Foreign Direct Investment (FDI) is permitted in the telecom manufacturing sector and 49% FDI is permitted in the telecom services, excepting a few services listed below where 100% FDI is permitted.

FDI guidelines are reviewed from time to time to make it more investor friendly and to attract more investment for faster proliferation of the telecom network. Accordingly, the Government had constituted a Group of Ministers (GOM) for reviewing the existing sectoral policies and sectoral equity caps. Based on recommendations of GOM, Government,on review of the policy on FDI, has decided to increase FDI limits to 100% in respect of the following areas in telecom sector:-

(i) ISPs not providing gateways (both for satellite and submarine cables);

(ii) Infrastructure Providers providing dark fibre (IP Category I);

(iii) Electronic Mail; and

(iv) Voice mail

The above would be subject to the following conditions:-

(i) FDI upto 100% is allowed subject to the conditions that such companies would divest 26% of their equity in favour of Indian public in 5 years, if these companies are listed in other parts of the world.

(ii) The above services would be subject to licensing and security requirements, wherever required.

(iii) Proposals for FDI beyond 49% shall be considered by FIPB on case to case basis.